

FIRST DIVISION

[G.R. No. 113926. October 23, 1996]**SECURITY BANK AND TRUST COMPANY, *petitioner*, vs. REGIONAL TRIAL COURT OF MAKATI, BRANCH 61, MAGTANGGOL EUSEBIO and LEILA VENTURA, *respondents*.****D E C I S I O N****HERMOSISIMA, JR., J.:**

Questions of law which are the first impression are sought to be resolved in this case: Should the rate of interest on a loan or forbearance of money, goods or credits, as stipulated in a contract, far in excess of the ceiling prescribed under or pursuant to the Usury Law, prevail over Section 2 of Central Bank Circular No. 905 which prescribes that the rate of interest thereof shall continue to be 12% per annum? Do the Courts have the discretion to arbitrarily override stipulated interest rates of promissory notes and stipulated interest rates of promissory notes and thereby impose a 12% interest on the loans, in the absence of evidence justifying the impositions of a higher rate?

This is a petition for review on *certiorari* for the purpose of assailing the decision of Honorable Judge Fernando V. Gorospe of the Regional Trial Court of Makati, Branch 61, dated March 30, 1993, which found private respondent Eusebio liable to petitioner for a sum of money. Interest was lowered by the court *a quo* from 23% per annum as agreed upon by the parties to 12% per annum.

The undisputed facts are as follows:

On April 27, 1983, private respondent Magtanggol Eusebio executed Promissory Note No. TL/74/178/83 in favor of petitioner Security Bank and Trust Co. (SBTC) in the total amount of One Hundred Thousand Pesos (P100,000.00) payable in six monthly installments with a stipulated interest of 23% per annum up to the fifth installments. ^[1]

On July 28, 1983, respondent Eusebio again executed Promissory note No TL/74/1296/83 in favor of petitioner SBTC. Respondent bound himself to pay the sum of One Hundred Thousand Pesos (P100,000.00) in six (6) monthly installments plus 23% interest per annum. ^[2]

Finally, another Promissory Note No. TL74/1491/83 was executed on August 31, 1983 in the amount of Sixty Five Thousand Pesos (P65,000.00). Respondent agreed to pay this note in six (6) monthly installments plus interest at the rate of 23% per annum. ^[3]

On all the abovementioned notes, private respondents Leila Ventura had signed as co-maker. ^[4]

Upon maturity which fell on the different dates below, the principal balance remaining on the notes stood at:

1) PN No. TL/74/748/83 P16,665.00 as of September 1983.

2) PN No. TL/74/1296/83 P83,333.00 as of August 1983

3) PN No. TL/74/1991/83 ₱65,000.00 as of August 1983.

Upon the failure and refusal of respondent Eusebio to pay the aforestated balance payable, a collectible case was filed in court by petitioner SBTC.^[5] On March 30, 1993, the court *a quo* rendered a judgment in favor of petitioner SBTC, the dispositive portion which reads:

WHEREFORE, premises above-considered, and plaintiffs claim having been duly proven, judgment is hereby rendered in favor of plaintiff and as against defendant Eusebio who is hereby ordered to:

1. Pay the sum of ₱16,665.00, plus interest of 12% per annum starting 27 September 1983, until fully paid;
2. Pay the sum of ₱83,333.00, plus interest of 12% per annum starting 28 August 1983, until fully paid;
3. Pay the sum of ₱65,000.00, plus interest of 12% per annum starting 31 August 1983, until fully paid;
4. Pay the sum equivalent to 20% of the total amount due and payable to plaintiff as and by way of attorneys fees; and to
5. Pay the cost of this suit.

SO ORDERED.^[6]

On August 6, 1993, a motion for partial reconsideration was filed by petitioner SBTC contending that:

(1) the interest rate agreed upon by the parties during the signing of the promissory notes was 23% per annum;

(2) the interests awarded should be compounded quarterly from due date as provided in three (3) promissory notes;

(3) defendant Leila Ventura should likewise be held liable to pay the balance on the promissory notes since she has signed as co-maker and as such, is liable jointly and severally with defendant Eusebio without a need for demand upon her.^[7]

Consequently, an Order was issued by the court *a quo* denying the motion to grant the rates of interest beyond 12% per annum; and holding defendant Leila Ventura jointly and severally liable with co-defendant Eusebio.

Hence, this petition.

The sole issue to be settled in this petition is whether or not the 23% rate of interest per annum agreed upon by petitioner bank and respondents is allowable and not against the Usury Law.

We find merit in this petition.

From the examination of the records, it appears that indeed the agreed rate of interest as stipulated on the three (3) promissory notes is 23% per annum.^[8] The applicable provision of law is the Central Bank Circular No. 905 which took effect on December 22, 1982, particularly Sections 1 and 2 which state:^[9]

Sec. 1. The rate of interest, including commissions, premiums, fees and other charges, on a loan or forbearance of any money, goods or credits, regardless of maturity and whether secured or unsecured, that may be charged or collected by any person, whether natural or judicial, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.

Sec. 2. The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall continue to be twelve per cent (12%) per annum.

CB Circular 905 was issued by the Central Banks Monetary Board pursuant to P.D. 1684 empowering them to prescribe the maximum rates of interest for loans and certain forbearances, to wit:

SECTION 1. Section 1-a of Act No. 2655, as amended, is hereby amended to read as follows:

SEC. 1-a The Monetary Board is hereby authorized to prescribed the maximum rate or rates of interest for the loan or renewal thereof or the forbearance of any money, goods or credits, and to change such rate or rates whenever warranted by prevailing economic and social conditions: Provided, That changes in such rates or rates may be effected gradually on scheduled dates announced in advance.

In the exercise of the authority herein granted, the Monetary Board may prescribed higher maximum rates for loans of low priority, such as consumer loans or renewals thereof as well as such loans made by pawnshops, finance companies and other similar credit institutions although the rates prescribed for these institutions need not necessarily be uniform. The Monetary Board is also authorized to prescribed different maximum rate or rates for different types of borrowings, including deposits and deposit substitutes, or loans of financial intermediaries.

[10]

This court has ruled in the case of Philippine National Bank v. Court of Appeals^[11] that:

P.D. No. 1684 and C.B. Circular No. 905 no more than allow contracting parties to stipulate freely regarding any subsequent adjustment in the interest rate that shall accrue on a loan or forbearance of money, goods or credits. In fine, they can agree to adjust, upward or downward, the interest previously stipulated.

All the promissory notes were signed in 1983 and, therefore, were already covered by CB Circular No. 905. Contrary to the claim of respondent court, this circular did not repeal nor in anyway amend the Usury Law but simply suspended the latters effectivity.

Basic is the rule of statutory construction that when the law is clear and unambiguous, the court is left with no alternative but to apply the same according to its clear language. As we have held in the case of Quijano v. Development Bank of the Philippines:^[12]

xxx We cannot see any room for interpretation or construction in the clear and unambiguous language of the above-quoted provision of law. This Court had steadfastly adhered to the doctrine that its first and fundamental duty is the application of the law according to its express terms, interpretation being called for only when such literal application is impossible. No process of interpretation or construction need be resorted to where a provision of law peremptorily calls for application. Where a requirement or condition is made in explicit and unambiguous terms, no discretion is left to the judiciary. It must see to it that its mandate is obeyed.

The rate of interest was agreed upon by the parties freely. Significantly, respondent did not question that rate. It is not for respondent court *a quo* to change the stipulations in the contract where it is not illegal. Furthermore, Article 1306 of the New Civil code provides that contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy. We find no valid reason for the respondent court *a quo* to impose a 12% rate of interest on the principal balance owing to petitioner by respondent in the presence of a valid stipulation. In a loan or forbearance of money, the interest due should be that stipulated in writing, and in the absence thereof, the rate shall be 12%

per annum.^[13] Hence, only in the absence of a stipulation can the court impose the 12% rate of interest.

The promissory notes were signed by both parties voluntarily. Therefore, stipulations therein are binding between them. Respondent Eusebio, likewise, did not question any of the stipulations therein. In fact, in the Comment file by respondent Eusebio to this court, he chose not to question the decision and instead expressed his desire to negotiate with the petitioner bank for terms within which to settle his obligation. ^[14]

IN VIEW OF THE FOREGOING, the decision of the respondent court *a quo*, is hereby AFFIRMED with the MODIFICATION that the rate of interest that should be imposed be 23% per annum.

SO ORDERED.

Padilla (Chairman), Bellosillo, Vitug, and Kapunan, JJ., concur.

-
- ^[1] Annex C, *Rollo*, p. 29.
^[2] Annex D, *Rollo*, p. 31.
^[3] Annex E, *Rollo*, p. 33.
^[4] Annexes C, D, E
^[5] *Rollo*, p. 35, demand letters, Annexes F, G, H.
^[6] *Rollo*, p. 25.
^[7] *Rollo*, p. 39.
^[8] *Rollo*, pp. 29, 31, 32, Annexes C, D & E.
^[9] Official Gazette, Vol. 78, No. 52, p. 7336.
^[10] March 17, 1980.
^[11] 238 SCRA 20.
^[12] 35 SCRA 270.
^[13] Eastern Shipping Lines, Inc. v. Court of Appeals, 234 SCRA 78.
^[14] *Rollo*, p. 109.